



# The Advisor

for our Retired members

A periodic publication of the Massachusetts Teachers' Retirement System as a service to its members

Spring 2010

COMING IN JUNE...

## Please join us at Retirement U!

Our fourth annual presentation of this popular morning program will be held in Holyoke on June 1, and Wakefield on June 10

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**R**etirement U, our educational program for retired members, was piloted in May 2007 in Devens, and, in its first year, was attended by 150 MTRS retirees. The initial program received overwhelmingly positive reviews, and since then, we have presented it every year to ever growing audiences.



Strategies and Opportunities  
for a Rewarding Future

The goal of Retirement U is to provide you, our retirees, with a variety of information, ideas and resources to help you maximize your retirement years both financially and personally. This year's program features presentations by experts on these timely topics:

- How to be a smart financial consumer
- Estate planning and elder law issues
- Medicare and Social Security tips

The program runs from 8 a.m. to 12:15 p.m., and will be held at two locations:

- **HOLYOKE, Tuesday, June 1;**  
Log Cabin Banquet and  
Meeting House,  
500 Easthampton Road
- **WAKEFIELD, Thursday, June 10;**  
Sheraton Colonial Hotel,  
One Audubon Road

To attend, simply register online at [mass.gov/mtrs](http://mass.gov/mtrs), or call our Cambridge

*"This was an exceptional presentation.  
Extremely informative. Speakers  
were excellent!"*

*"This is my first conference on retirement  
and I found it very informative and useful —  
thank you!"*

*"Thank you so much MTRS.  
Excellent resource guide and excellent  
presenters and location."*

Call Center, at 617-679-6890. Please note that we expect both programs to be filled to capacity, and space is limited. You must register at least a week before the program you wish to attend, and registration is available on a first-come, first-served basis.

We hope to see you there!

### 3 percent COLA included in proposed budget for FY2011

As we go to press, the House Ways and Means Committee's proposed budget for FY2011 included a recommended cost-of-living adjustment (COLA) of 3 percent on the first \$12,000 of eligible MTRS retirees' benefits, for a maximum annual increase of \$360 for the fiscal year beginning July 1, 2010. Before the MTRS can pay any COLA, however, it must first be approved by the Legislature and Governor. Please watch our website at [mass.gov/mtrs](http://mass.gov/mtrs) for additional information as it becomes available.





Jeff Wulfson  
Chairman,  
Massachusetts Teachers'  
Retirement Board

FROM THE CHAIRMAN

## Holding steady—and cautiously optimistic

Proposed pension reforms and last two quarters' investment returns hold promise for 2010

I am pleased to report the Massachusetts Teachers' Retirement System's pension investments have improved after experiencing the worst investment performance in our history. The assets of the Pension Reserves Investment Trust (PRIT) Fund increased by 17.69% in 2009 and ended the year with over \$42.6 billion. The positive return is in marked contrast to the historic loss incurred in calendar year 2008 when PRIT assets decreased from \$53 billion to \$37 billion for an annualized loss of 29.44%. The long-term performance of the PRIT Fund continues to be strong, averaging 9.66% since inception (January 1, 1985) and exceeding the system's actuarial investment rate of return of 8.25%.

Public pension systems continue to be the subject of intense scrutiny in the media and reform efforts in the

Legislature. This issue of the *Advisor* includes information on the legislation enacted last June. More recently, a special commission on contributory retirement systems issued a report and the Governor filed additional legislative proposals; you can find links to both on the MTRS website.

I hope you join me in supporting efforts to increase transparency, predictability and uniformity in the calculation and determination of retirement benefits, which will help eliminate egregious abuses of the system.

A well designed and properly funded pension system is in the best interests of members and taxpayers alike.

Best wishes,

### BOARD MEMBERS

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Elected by the Membership

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General Counsel

Stay up to date on retirement issues—

**Have retirement updates delivered right to your desktop when you register to receive MTRS M@il!**

Just give us your e-mail address and you'll get advance notice of upcoming seminars, important announcements and retirement news delivered right to your desktop. It's easy!



- 1) Go to [mass.gov/mtrs](http://mass.gov/mtrs).
- 2) Click on **MTRS M@il** in the left margin.
- 3) Complete the simple online form with your MTRS member status (retired), name and your e-mail address.
- 4) Watch your e-mail for periodic updates!

New e-mail address? No problem—just send your old and new addresses to us at [geninfo@trb.state.ma.us](mailto:geninfo@trb.state.ma.us) and we'll update our records so that you don't miss any updates!

## Board bids farewell to seven-year member John Parsons; welcomes Emily Cousens as Auditor's designee

**A**t the July 2009 Board meeting, State Auditor Joe DeNucci's designee John Parsons announced that he had been promoted to First Deputy Auditor and would be resigning from the MTRS Board. Taking his place would be his colleague Emily Cousens, the Director of the Auditor's Division of Local Mandates.



### John Parsons

A member of the MTRS Board since August 2002, Mr. Parsons showed us and our members great compassion and respect throughout his tenure, and for that, we will be forever grateful. We congratulate John on his promotion, and thank him for

seven years of dedicated service to the members of the MTRS.



### Emily D. Cousens

Emily Cousens has served as an attorney in the State Auditor's Office for over 20 years. As Director of the Auditor's Division of Local Mandates, she writes legal opinions and conducts fiscal impact studies on laws and regulations affecting municipal and school finance. Ms. Cousens has a long history in education law, beginning her career at the Legislature's Special Commission on Unequal Educational Opportunity, then moving on to the staff of the Joint Committee on Education, and later the House Committee on Ways and Means. She is a graduate of Salem State College and Suffolk University Law School. We welcome Ms. Cousens to our Board and look forward to working with her!

## A COST-SAVING MEASURE IN THESE DIFFICULT ECONOMIC TIMES

### Benefit Verification process not conducted this year, but watch for your form again in 2011

At least once every two years, Massachusetts retirement systems must verify recipients' eligibility to continue to receive benefits

**A**s most of you know, we did not send a Benefit Verification form with your 1099-R tax form this past January.

In recent years, we have combined the mailing of our blue-and-yellow Benefit Verification form with the 1099-R form, and retirees and survivors have been required to complete and return the Benefit Verification form in order to document their eligibility to continue to receive retirement benefits. However, this year, because of budget constraints, we suspended our policy of conducting the Benefit Verification process on an annual basis; instead, we will perform this process once every two years, as required by PERAC regulations (840 CMR 15.01).

As always, we will continue to be vigilant and use other available resources to help achieve the purpose of the benefit verification process: to ensure that MTRS benefits are being paid to the correct

individuals, and that these individuals are still alive and, therefore, eligible to receive benefits.

### Transferring your pension payments to a foreign bank? Know the rules...

You must notify us if you have your pension payments deposited directly to a domestic bank and then transferred to a foreign account.

Pursuant to International Automated Clearing House Transactions (IAT) Rules, you must let us know if you are having the entire amount of your monthly benefit payment deposited directly to a U.S. bank and then forwarded to a bank in another country. Additionally, if at any time in the future the status of your direct deposit changes (in other words, you either start or stop having your payments forwarded to a bank in another country), you must update your information with us by filing a new Direct Deposit Authorization form, available on our website under Downloadable forms.





# Our Massachusetts Teachers

## A snapshot of who we are, retirement t

A profile of our membership as of January 1, 2009

### Some statistics of note...

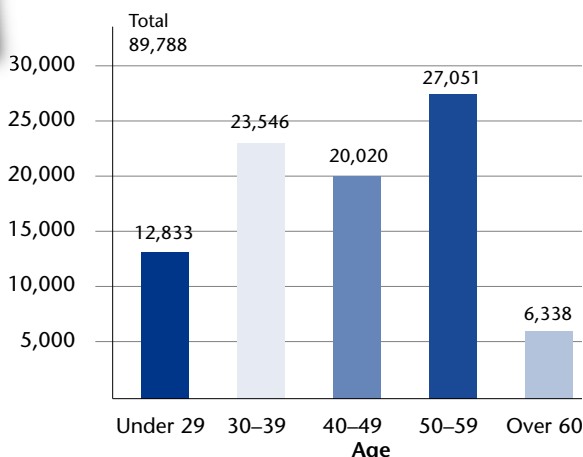
#### ACTIVE MEMBERS

- Average **salary** . . . \$60,029
- Average **age** . . . 44.1 years
- Average **service** . . 12.8 years
- Total member compensation . \$5.39 billion
- Employee contributions . \$523 million

#### RETIRED MEMBERS

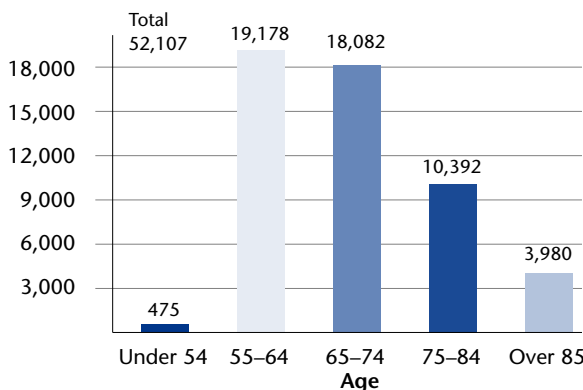
- Average **annual benefit**. . . \$35,750
- Average **age** . . . 69.8 years
- Total benefits paid . . \$1.86 billion

### Our active members, by age



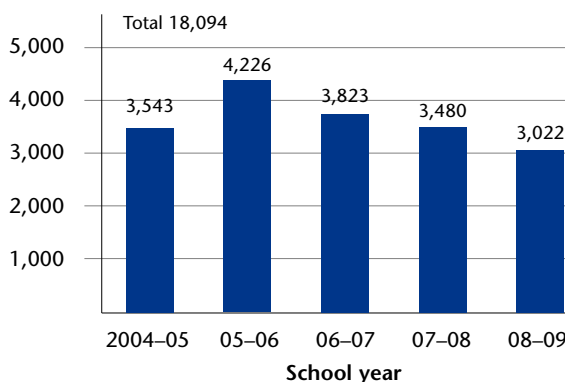
Fifty-one percent of our active members have 10 or less years of creditable service.

### Our retired members, by age



This population has never been greater, with the number of older retirees continuing to grow.

### Retirement statistics: The last five years...



In the last five years, more than 18,000 members retired under the regular and RetirementPlus plans.

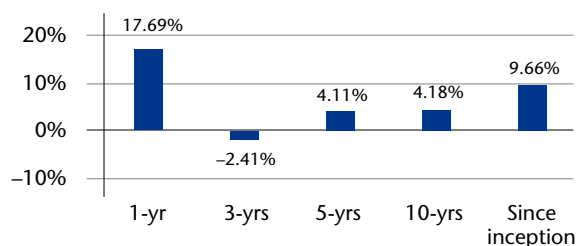
Source: 2009 Actuarial Valuation, Massachusetts Teachers' Retirement System

# Teachers' Retirement System

## Trends and our current funding status

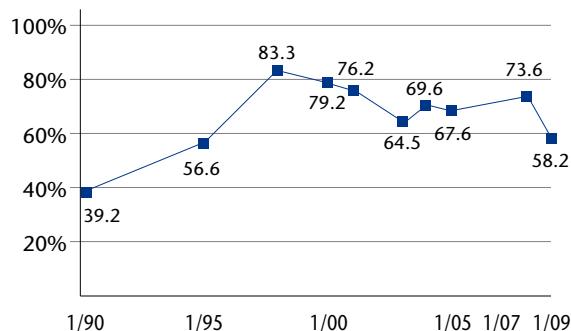
Recent and projected retirement statistics, and our funding status

### PRIT core fund performance, as of December 31, 2009



The Legislature has set 8.25 percent as the pension fund's long-term rate of return target. The system has averaged 4.18 percent over the past 10 years, and **9.66 percent** since its inception in January 1985.

### The MTRS's funded ratio



Over the last 19 years, the system's funding ratio has ranged from a low of 39.2 percent to a high of 83.3 percent.

### The MTRS's asset allocation

The Teachers' Retirement System's assets are invested by the Pension Reserves Investment Management (PRIM) Board.

As of December 31, 2009, our system's assets of \$19.3 billion were invested as follows:

■ Domestic equities . . . 26.18%	■ Value added fixed income . . . . . 6.54%
■ International equities . . . . . 21.62%	■ Real estate . . . . . 9.47%
■ Emerging markets . . . 5.88%	■ Timber . . . . . 4.16%
■ Fixed income . . . . . 12.25%	■ Private equity . . . . . 9.57%
	■ Hedge funds . . . . . 4.34%

### PLAN FUNDING

■ Percent	
<b>funded</b> . . . . .	58.2%
■ <b>Unfunded</b>	
liability . . . .	\$13.6 billion
■ Year	
<b>fully funded</b> . . . .	2025

The results of PERAC's January 1, 2010 valuation of our system are expected in the next few months. In that report, we estimate the "percent funded" figure to increase to 62.5%.

To learn more about how the system's assets are invested, visit the Pension Reserves Investment Management Board's website, at [mapension.com](http://mapension.com).



## Important housekeeping reminders for MTRS retirees:

# Please be sure to **contact us** if you...

**Change** your name, address (temporary or permanent) or Social Security number

For your protection, we instruct the post office not to forward many of the documents we send to retirees (these often contain confidential benefit and tax information). Accordingly, it is very important that you send us written notification of changes to your personal data so that you are sure to receive our mailings.

**Lose** your retirement check

In the event of loss or theft, notify us in writing no earlier than one week after the mailing date to request that we issue a replacement check. We will place a stop-payment order on the check and issue a replacement, usually within five to ten days after we receive your written notification.

Note: As of July 1, 2009, new retirees **must** receive their benefit payments via direct deposit. If you are still receiving a paper check, please consider changing to direct deposits. See our website for details and the downloadable form—it's easy!

### Want to change your...

■ federal tax withholding

Each year at tax time, review your Form 1099-R so that you know what you are paying in federal taxes. To change the amount being withheld, submit a new Substitute Form W-4P, available on our website at [mass.gov/mtrs](http://mass.gov/mtrs).

■ retiree beneficiary (Option B only)

Be aware of the status of your beneficiary. If you retired under Option B, you may change your beneficiary designation at any time by submitting a new beneficiary designation form; if your beneficiary predeceases you, you may also name a new beneficiary. If you retired under Option C and your beneficiary predeceases you, please notify the MTRS because your benefit will "pop up" to the Option A amount.

**Want to participate in** the governance of the MTRS

Approximately three months before our Board elections (held every four years), we notify active and retired members of the upcoming nomination and election process. For your reference, our next Board election will be held in the fall of 2011.

**Plan to render service** to a Massachusetts public employer and exceed the time and earnings limitations

If you will work more than 960 hours or earn more than the difference between your retirement allowance and the salary being paid for the position from which you retired, you must notify the MTRS in writing that you wish to waive your retirement allowance for the period of employment.

**Become divorced** and your retirement allowance is divided

If applicable, the MTRS will pay your monthly allowance per the terms of a court order or the parties' domestic relations order. Please see our booklet *What You Should Know As a Party to a Domestic Relations Order*, available on our website.

In the event of your death, your beneficiary should contact us regarding any survivor benefits

Advise your current beneficiary now that he or she should contact us in the event of your death. Be sure to keep your retirement papers with your other important documents.

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617-679-MTRS (6877)  
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Suite 210  
Springfield, MA  
01103-2066

413-784-1711  
FAX 413-784-1707

[mass.gov/mtrs](http://mass.gov/mtrs)

## Pension reform: So, where are we?

### Pension Reform Phase 1:

#### What was approved in July 2009

Effective July 1, 2009, the Legislature enacted Chapter 21 of the Acts of 2009, "An Act Providing Responsible Reforms in the Pension System," now known as Pension Reform Phase 1. While this Act addressed a number of issues affecting all 105 of the Commonwealth's public retirement systems, the most significant changes for MTRS members concerned:

- **Regular compensation:** The definition of regular compensation—the amount used to determine a member's final salary average at retirement—was changed to exclude fringe benefits such as annuities, employer-paid individual life and disability insurance premiums, and housing allowances.
- **Mandatory direct deposit:** All new benefit recipients must now receive their benefits via direct deposit.
- **Dual members:** Members of two Massachusetts public retirement systems who are not vested in both retirement systems are no longer eligible to combine the salaries received in each position when determining the final average salary. Instead, dual members will receive a

benefit based on the service and salary in each system, calculated separately.

- **Uncompensated, or nominally compensated, service:** Service for uncompensated service as a member of a school committee, board of selectmen, city councilor, alderman, moderator, or library trustee may no longer be purchased. Additionally, no creditable service will be granted for service compensated at less than \$5,000/year.

### Pension Reform Phase 2:

#### What's being discussed now

In October 2009, the Special Commission to study Massachusetts public retirement systems submitted its proposals to the Governor and Legislature. In January 2010, the Governor filed a pension reform bill (H4440) that included provisions to change the benefit calculation formula, members' contribution rates and plan funding schedules; some would apply to current members, others, just new members. The first public hearing on this bill was held on March 15.

As with all legislation, this bill—and any other pension reform measures—must go through the legislative process before any changes are implemented.

For a summary of the Governor's proposed legislation, as well as links to the text of the bill and its status, go to our website at [mass.gov/mtrs](http://mass.gov/mtrs) > Legislative news.



#### IN MEMORIAM

##### **John E. Kearney, Sr.**

*Chairman of the Massachusetts Teachers' Retirement Board, 1977–1992*

After a lifetime dedicated to the betterment of the Massachusetts public education system—as a teacher, an Assistant to the Commissioner of Education, and the Chairman of the Massachusetts Teachers' Retirement Board for 15 years—John Kearney passed away in February 2010 at the age of 80.

Current Board member and retired educator John "Jay" Dow, Jr., who served with Mr. Kearney, remembered him as a strong, fair and caring leader. "John Kearney, as Chairman of the Massachusetts Teachers' Retirement System, was able to get to the bottom of many serious controversial issues in short order," observed Mr. Dow. "He always maintained order with dignity and concern for those teachers who appeared before us."

We are grateful for Mr. Kearney's service and commitment to the Board, the staff and the members of the Massachusetts Teachers' Retirement System.

The MTRS Advisor is written and produced by the Massachusetts Teachers' Retirement System. We welcome letters from our readers and encourage you to send your comments to: Advisor  
Massachusetts Teachers' Retirement System  
One Charles Park  
Cambridge, MA 02142  
Or e-mail your comments to us at [geninfo@trb.state.ma.us](mailto:geninfo@trb.state.ma.us).



## Retirement U 1

Our popular program for MTRS retirees will be held on two dates in June—please register to attend!

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Be sure to contact us when certain life events occur

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What has changed—and where we are now

Plus Board member news, general updates and more!

AS EXPECTED, THE BABY BOOMERS RETIRED IN RECORD NUMBERS

## The “age wave” crested in 2006; retirements now decreasing

More than 30,000 members have retired in the last ten years

**D**uring the past decade, unprecedented numbers of MTRS members retired and began collecting their monthly benefits.

In FY2000—the year before the RetirementPlus benefit tier was established by the Legislature—1,882 members retired from the MTRS. In every year since then, however, **more than 3,000** members have retired from the MTRS. As shown in the chart, this increase in retirements is largely attributable to the Baby Boomers who retired under the RetirementPlus program.

As expected, the highest number of retirements occurred in 2006—the fifth of the first five years of the RetirementPlus program—when members first met the requirement that they contribute 11 percent of salary to the MTRS for at least five years. Since the peak in 2006, the number of retirements has

decreased by about 10 percent each year. Barring any significant change in the plan, we expect this trend to continue over the next several years.

### The last ten years: MTRS retirements, by type

Total 33,070

